

**MINUTES**  
**GOVERNMENT OVERSIGHT COMMITTEE**  
**June 3, 2010**

The Joint Government Oversight Committee met June 3, 2010, in room 103, the Supreme Court Chamber at the Capitol.

Representative Lensing, Chair, called the meeting to order at 9:38 a.m. Other members present were:

Senator Rich Olive, Chair

Senator Tom Courtney, Vice Chair

Senator Steve Soddors

Representative Vicky Lensing, Chair

Representative Kurt Swaim, Vice Chair

Representative Ralph Watts, Ranking Member

Representative Clel Baudler

Representative Deborah Berry

Representative Donovan Olson

Representative Eric Palmer

Representative Dawn Pettengill

Representative Kent Sorenson

The following members were excused: Senator Pat Ward, Senator Ron Wieck.

The minutes of April 29, 2010, were approved.

**OVERVIEW**

The Committee continued its inquiry relating to issues which have arisen in connection with the financing and management of the Iowa Association of School Boards (IASB), with testimony received from several individuals either presently or formerly associated with the organization.

**SUSIE OLESON, SKILLS IOWA PROJECT DIRECTOR, IASB**

Ms. Oleson provided a demonstration prior to the official start of the meeting regarding the operation and application of Skills Iowa. She explained that Skills Iowa is an online technology tool providing tutorials for students in the form of the Skills Tutor program, and assessment of student learning for teachers, parents, and students in the form of the Assessment Center program. She presented sample tutorial exercises, discussed student assessment features, noted that Skills Iowa currently serves approximately 85,000 students in 114 school districts across the state, and related ongoing training and support provided by IASB for program implementation.

After the meeting officially commenced, Ms. Oleson described her background in education and previous and current activities while employed at IASB. Concerns which arose during 2009 included infrequent contact with Maxine Kilcrease, lack of access to the IASB board and instruction via e-mail not to attempt to contact board members, irregularities in administration of grant funding, discussions of repositioning Skills Iowa and her position as project director to report to a non-profit organization with limited involvement in the project, and being abruptly notified that she would be working from home beginning on September 1, 2009. In response to committee inquiry, Ms. Oleson stated that Skills Iowa is tied to state, not national educational standards, that the project is

federally funded at the present time and in certain previous fiscal years received state appropriations, that Skills Iowa can be regarded as a low-stakes (no penalty or negative consequence) assessment tool, and that she favors an open meetings policy which was characteristic of board meetings prior to the arrival of Ms. Kilcrease. Committee discussion also included the history of the development of Skills Iowa and the nature and appropriateness of the project's association with a software technology company owned by Mr. Michael Perik.

#### **RON RICE, FORMER EXECUTIVE DIRECTOR, IASB**

Mr. Paul Scott, Mr. Rice's attorney, indicated in an opening statement that Mr. Rice was present pursuant to a subpoena issued by the committee and would be asserting his Fifth Amendment constitutional right against self-incrimination given the existence of federal and state investigations relating to IASB. Areas of committee inquiry for which the amendment was subsequently asserted included Mr. Rice's employment history at IASB, training the IASB board received, how whistleblower complaints were handled, business travel, hiring and salary policies, the circumstances surrounding IASB's contract with Larry Sigel for continued services following his departure from the organization, funding problems at the organization and misrepresentations relating thereto, and whether the creation of for-profit subsidiaries was a mistake and contrary to the organization's primary mission. The only questions to which Mr. Rice provided a response related to the duration of his tenure as Executive Director at the organization, his academic credentials, and his lack of previous experience with non-profit organizations.

#### **KEVIN SCHICK, FORMER CHIEF FINANCIAL OFFICER, IASB**

Mr. Schick, accompanied by his attorney, Mr. Charles Gribble, presented an opening statement summarizing his relationship with IASB, and providing information regarding issues in connection with credit card usage and the possible acquisition of the Payschools program by the PayPal division of eBay. Mr. Schick stated that his services for IASB were provided as an employee for the Flynn Fitzgerald organization and subsequently as an independent contractor, rather than as an IASB employee. He also stated that a credit card with both his name and that of IASB was obtained while he was employed by Flynn Fitzgerald in order to separate IASB-related business expenses from personal ones, and that this card was utilized to pay for expenses relating to a personal trip to Bora Bora in December, 2009 after he was notified his personal credit card had been compromised. Mr. Schick indicated that he provided a \$7500 check to IASB upon his return and prior to receipt of the credit card statement, and issued a subsequent check for a remaining balance which was not ever presented by IASB for payment. With regard to the Payschools program, Mr. Schick stated that it was not returning a profit, that the board determined it should be sold if possible, that selling the program proved difficult, and that discussions with eBay for an acquisition by PayPal were preliminary in nature and that a purchase offer was never extended.

Mr. Schick emphasized throughout his testimony that IASB failed to provide access to records which would have enabled him to provide meaningful responses to questions. He indicated that he never sought IASB's name to be placed on the second credit card, that he considered it a personal card for business expenses, that IASB was in a tight financial position at the time of his departure from the organization, that his departure was voluntary based upon his perception of a deteriorating work environment, that he informed the board that PayPal was interested in the Payschools program and was performing due diligence with regard to a possible acquisition, that he agrees with the position that IASB operates through taxpayer funding, that the accounting system at IASB was archaic, and that he never intentionally failed to provide the board with financial information. Considerable committee questioning was devoted to seeking a clearer understanding of how the second credit card could be characterized as personal in nature when it was imprinted with IASB's name and credit card statements were sent to the organization's office.

Additional discussion included Mr. Schick noting that budgets were presented in insufficient detail and financial transactions lacked proper documentation, that he advised the board regarding IASB financial difficulties and that the board sought to develop and implement an action plan in response, that he reduced his billing rate in the face of the financial problems, and that he shared the board's frustration with the inability to obtain financial information.

### **JACK HILL, FORMER BOARD PRESIDENT, IASB**

Mr. Hill, accompanied by his attorney, Mr. Hearst R. Duncan, Jr., reiterated previously supplied testimony relating to the executive search and recruitment process which resulted in the hiring of Maxine Kilcrease. He summarized the salary negotiation process, and indicated that subsequent to entering into the initial contract Ms. Kilcrease sought to have an amended version signed contending that it did not conform to her understanding of her compensation level with the board. Mr. Hill stated that his impression was that the amended version would exempt Ms. Kilcrease's salary from payroll taxes, resulting in an increase in take-home pay but not in total compensation. He additionally stated that he does not remember signing the amended contract, that he cannot speculate regarding his signature's authenticity, that the failure to present the amended contract to the board was an oversight, and that he did not knowingly authorize a compensation increase to \$367,000. Committee discussion included lack of access to financial and other information previously supplied when Ron Rice served as Executive Director, board suspicions of financial difficulties and lack of awareness of executive salary increases, appropriate compensation levels for organizations such as IASB, why Mr. Hill's handwriting analysis was being conducted by a private contractor versus the state, whether the organization's financial difficulties coincided with and can be attributed to the formation of for-profit subsidiaries, and the existence and issuance of IASB credit cards. Mr. Rice concluded his testimony with an expression of hope that IASB's accomplishments over the years will not go unnoticed in the wake of the investigation.

### **VERONICA STALKER, INTERIM EXECUTIVE DIRECTOR, IASB**

Mr. Nolden Gentry, attorney for IASB, accompanied Ms. Stalker and requested the opportunity to clarify statements made and issues which arose earlier in the meeting. Mr. Gentry stated that credit cards imprinted with IASB's name are corporate cards, not personal, and that he would attribute IASB's financial problems more to the economic downturn than to the formation of for-profit subsidiaries. He indicated that Ms. Kilcrease made handwritten alterations to her original contract and forwarded it to an assistant for revision, and that the assistant is unable to recall the circumstances under which it was subsequently submitted to Mr. Hill for signature. Additionally, Mr. Gentry related that the handwriting analyst was obtained after IASB was informed that performance of the analysis by the state could conflict with a potential criminal proceeding.

Ms. Stalker summarized thirty years of education experience, and stated that during those years she had at times utilized the services of IASB. She characterized the organization as committed to improvement and change, and being potentially tainted as a whole by the actions of a few individuals. Ms. Stalker identified as priorities getting the organization's "fiscal house" back in order, putting internal controls in place, and restoring IASB's credibility and reputation. These goals are being achieved by receipt of the fiscal year 2009 and 2010 audits, ensuring that the board receives monthly financial statements, hiring a Chief Financial Officer who will undertake a thorough review of each program to determine relevance to the organization's mission, engaging in substantial contact with member school districts, and soliciting superintendent input. She indicated that IASB was currently in a tenable financial situation, that no member district has confirmed non-renewal, that an open meetings approach to board meetings is envisioned unless personnel issues and position eliminations are being discussed, and that current indications from the auditors suggest a forthcoming unqualified audit reflecting problem containment. In response to an inquiry

regarding possible recommendations for potential legislation, Ms. Stalker referred to the matters under investigation as an aberration in the long history of IASB, and advocated monitoring of reports and audits rather than crafting recommendations in the midst of a crisis. Committee discussion included the merits of monitoring nonprofit organizations that receive dues from members, disappointment at perceived “mission creep”, the perception that nonprofit subsidiary formation led the organization into areas it did not belong, retaining an executive director with managerial rather than doctoral expertise, and recommended salary levels for the executive director position.

### **STAFF RECOGNITION**

The committee additionally recognized Mr. Doug Wulf, retiring Fiscal Services Division Administrator, for his many years of valuable service to the General Assembly and, in particular, the Government Oversight Committee.

### **NEXT MEETING**

The Committee anticipates continuing its investigation with a meeting to be scheduled at some point during the month of July. Location and agenda to be announced.

### **ADJOURNED**

Representative Lensing adjourned the meeting at 4:35 p.m.